

# Internetization and the New Global Economy of the 21<sup>st</sup> Century



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## INTRODUCTION

Economists have embraced the term globalization to describe the operational parameters of the new global economy of the 21<sup>st</sup> century. The problem with the word globalization is that it is neither a new concept nor is it an appropriate descriptive for the contemporary transformational change precipitated by the spectacular technological inventions on the international economic landscape.

Globalization does not portray the enabling powers of contemporary technology. This electronic capacity was triggered by the information technology revolution which is a defining feature of the new global economy. Globalization is a throwback to a previous age prior to electronic connectivity and with more limited means of information accessibility and rapid communication.

A new word, Internetization, describes more appropriately the transformative powers of the world wide web on the evolving dynamics of interconnectivity for the new global economy of the 21<sup>st</sup> century. Internetization captures the pervasive influence of technological change and electronic innovations on the global economy and all aspects of human endeavour for our civil society in the 21<sup>st</sup> century.

## BACKGROUND

Globalization is not a modern concept or a new theoretical construct. Indeed, it has been a constant feature of international economic outreach since time immemorial. Globalization has evolved and mutated over the centuries to reflect the priorities and ambitions of different generations. The global outreach of nations for geopolitical, economic, military and trade benefits has transgressed the centuries and embraced almost every country in the world (Boudreaux, 2008).

From time immemorial the process of globalization has taken different forms and proceeded in different directions. Through the discovery and exploitation of new found lands, through the military conquest and annexation of adjacent territories and through the signing of contemporary multilateral free trade agreements, the process of globalization has been an uninterrupted continuum in the evolving history of mankind.

Examples of globalization in ancient history include the seafaring voyages of Odysseus recorded by Homer in *The Odyssey*. The Babylonian Empire that stretched over Mesopotamia in western Asia between the rivers Tigris and Euphrates from 1894 BC to 1595 BC, and again from 625 BC to 539 BC when its grasp reached as far as Palestine. The conquests of Alexander the Great (356 BC to 323 BC) forged an empire that included parts of Europe, Africa, and the Asian continent as far as India. In the late 3<sup>rd</sup> century BC, the Romans began their conquest of the Balkan Peninsula in search of iron, copper, precious metals, agricultural crops and slaves. This marked the beginning of the Roman Empire, which lasted from 27 BC until 476 AD, and blended unity and diversity across Sicily, Spain, Macedonia, Greece, Egypt, North Africa, Syria, parts of Asia Minor, Gaul and Britain. The Byzantine Empire lasted from 395 AD to 1453 AD and spanned the Middle East, North Africa and Spain. The British Empire from 1583 AD to 1931 AD included such a large collection of countries around the world that it sparked the familiar phrase “the sun never sets on the British Empire” (Passaris, 2006a).

This short and selective geographical survey of the history of globalization attests to the permanence of humankind’s international ambitions. The steady progression of globalization has found expression in the geopolitical and economic ambitions of military, economic and political superpowers. Their globalization ambitions have been achieved by means of wars, mercantilism, colonization, political and economic

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supremacy, and more recently, through international economic liaisons and multilateral trade agreements.

## **New Economy**

The new global economy of the 21st century has transformed the economic, social, educational and political landscape in a profound and indelible manner. Never before in human history has the pace of structural change been more pervasive, rapid and global in its context.

The new economy has become a catalyst for geopolitical symbiosis, economic integration and financial interconnectedness. The new economy is composed of a trilogy of interactive forces that include globalization, trade liberalization and the information technology and communications revolution. Globalization has melted national borders and redefined economic policy. Free trade has enhanced economic integration and extended the economic architecture. The information and communications revolution has made geography and time irrelevant and enhanced the reach of economic parameters.

The advent of the new economy has resulted in the fundamental restructuring of economic society. Electronic interconnectedness is the glue that holds the contemporary global economy together. The new economy is built on a culture of innovation and an emphasis on creativity. Indeed, the signature mark of the new global economy is new ideas, new technologies and new initiatives.

## **Economic Globalization**

A working definition of economic globalization in its contemporary form can be summarized as the global integration of economies through trade and investment flows as well as the internationalization of the production of goods and services. The economic profile of globalization includes the development of global corporations and global networks. It also includes the widespread internationalization of all forms of economic activity in production, marketing, consumption, capital, standards and tastes. Economic governance has resulted in a rapid growth in intra-firm and intra-network trade of components and sub-assemblies as well as finished products leading to a much higher level of specialization (Rodrik, 2008).

Globalization has become the catalyst for the re-orientation of large-scale production in high wage economies from economies of scale to economies of scope. It has contributed to the shortening of product cycles, placing a high premium on innovation, product quality and niche marketing. Globalization has also witnessed the rapid growth and diffusion of service and knowledge-intensive activities, for both products and processes (Das, 2004).

The process of globalization has been driven by technological change and financial liberalization and sustained by an appreciation among policy makers that an open and rules-based international trading and financial system is essential to global economic progress (Stiglitz, 2008). The new economy has become truly global in scope and substance. The free flow of capital, labour, goods and services within free trade regions, the development of new financial instruments and institutions, instantaneous access to information and communication through the new digital networks, have created a fully integrated global economic system of tremendous scope and opportunity. Economic globalization has achieved a higher level of international economic inter-dependence and linkages than ever before. For example, the speed and rapidity of economic and financial contamination across national borders during the 2008 financial crisis is a case in point.

## **Trade Liberalization**

The second axiom of the new economy is trade liberalization. The prevailing philosophy in favour of trade liberalization is based on the export led growth model which espouses the economic benefits of exports to the national economy in the form of employment creation, income generation and as a contributor to economic growth (Wacziarg & Welch, 2008).

In the contemporary context, most countries around the world have endorsed the principle and signed on to the potential economic rewards from global trade liberalization. The contemporary vision of the new global economy embraces the promotion of a free trade environment that encourages trade across national borders of goods and services, the transfer of intellectual property and the unregulated flow of financial capital (Klein & Oliver, 2008). The economic benefits of this modern paradigm along with improvements in the international transportation network have resulted

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